



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012

(213) 974-1101

<http://cao.co.la.ca.us>

DAVID E. JANSSEN
Chief Administrative Officer

September 9, 2003

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

Board of Supervisors
GLORIA MOLINA
First District

YVONNE BRATHWAITE BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

**RENTAL INCREASE
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
800 SOUTH BARRANCA, COVINA
(FIFTH) (3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the CAO to implement the rental increase requested by Limar Realty (Lessor), effective upon approval by your Board for the continued occupancy of the leased premises and the use of 89,513 rentable square feet of office space by the Department of Children and Family Services (DCFS) East County program on a month-to-month tenancy at an initial annual cost increase of \$909,969. The rental costs are 86 percent subvented by State and Federal funds.
2. Find that the project is exempt from the California Environmental Quality Act (CEQA) pursuant to Class 1, Section r of the Environmental Document Reporting Procedures and Guidelines adopted by your Board, and Section 15062 (b) (3) of the State CEQA Guidelines.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the proposed action will provide the County continued occupancy of the leased premises on a month-to-month tenancy and uninterrupted delivery of programs and services to the constituency in this geographic area. Furthermore, it will provide the time necessary to complete negotiations for the re-lease of the office space, or the identification and lease acquisition of a competitively priced alternate facility within the area served by this program.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The Countywide Strategic Plan directs that we improve the workplace environment in order to enhance quality and productivity (Goal 2, Strategy 2), and that we strengthen the County's fiscal capacity (Goal 4). In this case, the proposed action will enable DCFS programs to continue to provide services to the residents at the same location while allowing the time to investigate other alternatives that could be more fiscally prudent.

FISCAL IMPACT/FINANCING

The rental cost of the lease, net utilities (County pays all utilities) will be \$1,718,650, which is 86 percent offset by Federal and State subvention. The following chart delineates the impact of the requested increase on the space costs.

	Previous Lease	Proposed Rental Increase
Area	89,513 rentable square feet	89,513 rentable square feet
Annual Rent (including parking)	\$808,681 (full service gross)	\$1,718,650 (full service, net utilities) ⁽¹⁾
Annual Cost Per Square Foot	\$9.03	\$19.20
Term	08/09/89 - 08/08/03	Month-to-month
Cancellation	Upon 180 days prior written notice	Upon 30 days prior written notice
Rental Adjustments	Based on Consumer Price Index, capped at three percent annually	Same (2)

(1) This rental rate equates to approximately \$1,987,189 after factoring in the cost of utilities.

(2) If a new lease is not fully executed by May 9, 2004 or earlier, the rental rate for the premises will increase to \$1.60 per square foot, net utilities effective May 9, 2004.

- The proposed rental increase for the subject facility will remain 86 percent funded by State/Federal subvention and 14 percent net County cost (NCC).
- Sufficient funds are available in the 2003-04 Rent Expense Budget and will be charged back to the Department.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The facility is utilized to house DCFS Services Bureau III and Revenue Enhancements Bureau, which are providing Countywide programs and services from the subject facility.

Beginning August 9, 1989, the County leased approximately 89,513 rentable square feet of office space and the entire parking facility comprising 304 parking spaces for a ten-year term. The original ten year term was extended four years in August of 1996, creating a fourteen year term. The lease has been on a month-to-month holdover since August 8, 2003. The current monthly rent is \$67,390, or approximately \$0.75 per square foot per month, including parking.

During the month-to-month tenancy, the Lessor is demanding a base rent of \$135,270 or \$1.50 per square foot per month, including parking, but excluding utilities. Utilities are estimated to cost an additional \$0.25 per square foot per month, bringing the total estimated monthly rent to \$156,648 per month on a full-service basis. If a new lease is not fully executed by May 9, 2004 or earlier, the rental rate for the premises will increase to \$1.60 per square foot, net utilities effective May 9, 2004.

- \$ The Lessor has forwarded rental demands to the County dated August 6, 2003 and August 14, 2003 requesting an increase in rent. The rental increase will be effective upon Board approval.
- \$ Recent negotiations for the re-lease of the office space have resulted in agreement on most of the terms and conditions of the previous lease except the rental rate. Additionally, the Lessor wanted to convert the lease from full-service gross to full-service-net utilities.

The Honorable Board of Supervisors
September 9, 2003
Page 4

- The proposed action will allow the County to continue to use the facility at the lowest cost possible with the least disruption to the program pending negotiation of a new lease agreement to be submitted to your Board for its consideration.
- Absent a mutually beneficial agreement for the re-lease of the subject office space, this office, with DCFS concurrence, will pursue the lease acquisition of a less costly or competitively priced alternate facility to house this program.

Based upon a rental survey of similar properties in the service area, staff has determined that the base rental range, including parking, is between \$20.40 and \$27.00 per square foot per year, on a full-service basis. Thus, the increased annual rent of \$19.20 net utilities or \$22.20 on a full-service basis, represents a rate within the market range.

ENVIRONMENTAL DOCUMENTATION

The CAO has made an initial study of environmental factors and has concluded that this project is exempt from CEQA as specified in Class 1, Section r of the Environmental Document Reporting Procedures and Guidelines adopted by your Board November 17, 1987, and Section 15061 (b)(3) of the State CEQA Guidelines.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

It is the finding of the CAO and DCFS that the proposed rental increase is in the best interest of the County and will provide continued occupancy of the space necessary for this departmental requirement. In accordance with your Board's policy on the housing of any County offices or activities, DCFS concurs in this rental increase recommendation.

The Honorable Board of Supervisors
September 9, 2003
Page 5

CONCLUSION

It is requested that the Executive Officer, Board of Supervisors, return two originals of the adopted, stamped Board letter, and two certified copies of the Minute Order to the Chief Administrative Office, Real Estate Division at 222 South Hill Street, Fourth Floor, Los Angeles, CA 90012 for further processing.

Respectfully submitted,

DAVID E. JANSSEN
Chief Administrative Officer

DEJ:CWW
MS:hd

c: County Counsel
Auditor-Controller
Children and Family Services
Internal Services Department

800SBarranca.b